

### Celeste Australian Small Companies Fund

#### Performance Statistics (Total Returns net of fees)

	1 mth %	1 yr %	3 yrs % p.a.	5 yrs % p.a.	10 yrs % p.a.	15 yrs % p.a.
Celeste Aust. Small Co. Fund	+0.1	+20.1	+7.7	+14.1	+6.2	+7.4
<b>Performance (relative to Index)</b>	<b>-1.4</b>	<b>+2.9</b>	<b>+0.5</b>	<b>+2.4</b>	<b>+2.2</b>	<b>+3.4</b>
S&P/ASX Small Ords Acc Index	+1.5	+17.2	+7.2	+11.7	+4.0	+4.0
S&P/ASX Small Incls Acc Index	+1.4	+12.9	+8.0	+10.5	+8.7	+5.2
S&P/ASX Small Res Acc Index	+2.2	+36.3	+4.6	+17.1	-6.6	+1.0

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#### Portfolio Commentary

The Fund rose 0.1%<sup>1</sup> in February, with its benchmark, the S&P/ASX Small Ordinaries Accumulation Index increasing by 1.5%. Since inception (May 1998) the Fund's return is 13.3% pa<sup>1</sup>, net of all fees, against the Index's 6.1% pa.

**Codan (CDA)** rose 25.9% in Feb. after posting a strong 1h21 result, and making an earnings accretive, synergistic acquisition. CDA acquired the Domo tactical communication business for \$114m on Feb. 16th, funded by cash reserves. The Domo business services similar customers, markets and geographies to the CDA tactical communications business and was bought on a pre-tax multiple of around 12.5x. CDA's 1h21 result saw revenues grow 14% and net profit grow 36%. The jewel in the CDA crown, the Minelab metal detection business, saw revenues grow 55%, with growth across gold and recreational markets. We expect that CDA will continue to grow Minelab sales strongly into the medium term, all the while gaining market share and widening its competitive moat. We remain positively disposed to CDA's return profile, and unique IP.

**Event Hospitality & Entertainment (EVT)** rose 18.6% in the month after delivering a better than expected result. Cinema and Hotel revenues have been impacted by Covid19 but a large portion of this decline has been offset via a significant reduction in the cost base. Thredbo performed strongly over the ski season and looks likely to have a solid summer. The announcement of \$250m in property sales has allayed investors' concerns around a possible equity raising post the collapse of the German asset sale process.

**Eclixp Group (ECX)** rose 15.3% in February, following a positive AGM trading update. With the restructure of the group completed ahead of time and a new executive team in place, the company has continued to perform well despite a challenging year. ECX's 2020 earnings have been driven by end-of-lease income, and we expect the quality of their earnings streams to further improve as the number of new leases written grows. Net debt has been materially reduced to \$79m vs \$172m pcp and OpEx is being managed to remain around an \$84m target. We believe ECX is well placed to deliver meaningful earnings growth over the next two to three years.

Data analytics software provider **Nuix (NXL)** disappointed the market with its maiden interim result, declining 33.9% over the month. Revenues were negatively impacted by FX headwinds and a challenging US Government election sales environment which saw some contract signings slip into Jan. Pleasingly, the business maintained low customer churn whilst adding high-value customers to the order book. Increased uptake in the SaaS offering should help to reduce lumpiness in future earnings. NXL management reiterated full-year revenue guidance as set out in the prospectus, noting their business is becoming increasingly 2h-weighted and that they have significant visibility over forecast recurring revenue.

#### Global Index Performance (Accumulation)

	1 month %	1 year %	3 years % pa
Australia – S&P/ASX All Ordinaries	+1.4	+9.6	+8.1
USA – S&P 500	+2.6	+29.0	+12.0
USA – NASDAQ Composite	+0.9	+54.0	+22.0
Europe – FTSE (UK)	+1.2	-1.3	-3.6
Europe – DAX (Germany)	+2.3	+15.7	+3.4
Asia – Nikkei (Japan)	+4.7	+37.0	+9.5
Asia – Shanghai Composite (China)	+0.7	+21.8	+2.5

Source: IRESS

#### Market Commentary

The Small Ordinaries Index had a volatile February, rallying over 7% from its intra-month low on February 1<sup>st</sup> to its high on February 16<sup>th</sup>, only to sell off towards month-end, with the Small Ordinaries Accumulation Index closing up only 1.5% for the month. The surge in bond yields in the back half of the month caused a sell-off in tech, long-duration growth stocks, REITs and infrastructure names. The continued rollout of the global Covid19 vaccination program drove market enthusiasm towards recovery names like travel, airlines, cinema and entertainment. Brent Oil rose by \$10/bbl to \$66/bbl, iron ore surged to US\$174/t, with copper the stand out of the base metals up 16.2% to \$4.15/lb. Given firmer bond yields, gold softened by \$121/oz to \$1,742/oz.

The traditional February reporting season only seems to get more concentrated towards the back half of the month. As usual, significant information flowed into the market and earnings beats and misses delivered share price volatility. The messaging, given across socially distant Zoom video conference calls, highlighted ongoing strength in the domestic consumer, driving discretionary consumption and retail sales. The fiscal support, by way of business payments and JobKeeper, has maintained a solid spending cadence which has been directed towards upgrading everything from electronics and couches, to cars and houses. Evident in the reporting was ongoing revenue and contract weakness in companies exposed to Europe and North America, driven by higher Covid19 infection rates and rolling lockdown environments. This is expected to improve in 2h21 as the vaccine rollout leads to a slightly more normal environment. Consensus appears to be that FY21 and FY22 earnings upgrades will exceed downgrades but only by a close margin. More broadly, dividends surprised on the upside, driven by higher payout ratios.

We continue to think that ongoing monetary and fiscal support will act as a backstop to investor concerns as the vaccine program is rolled out across the globe. We are mindful of increasing inflation expectations, rising bond yields and equity market pricing. While market valuations do sit at the upper end of five year averages, we continue to see opportunities, while remaining focused on executing our process and ensuring the appropriate pricing of risk.

#### Portfolio Top 5 Holdings

Stock	% of Fund
1 CODAN	4.4
2 STEADFAST GROUP	3.8
3 ARB CORPORATION	3.7
4 BREVILLE GROUP	3.6
5 CITY CHIC COLLECTIVE	3.5

### Fund at a Glance

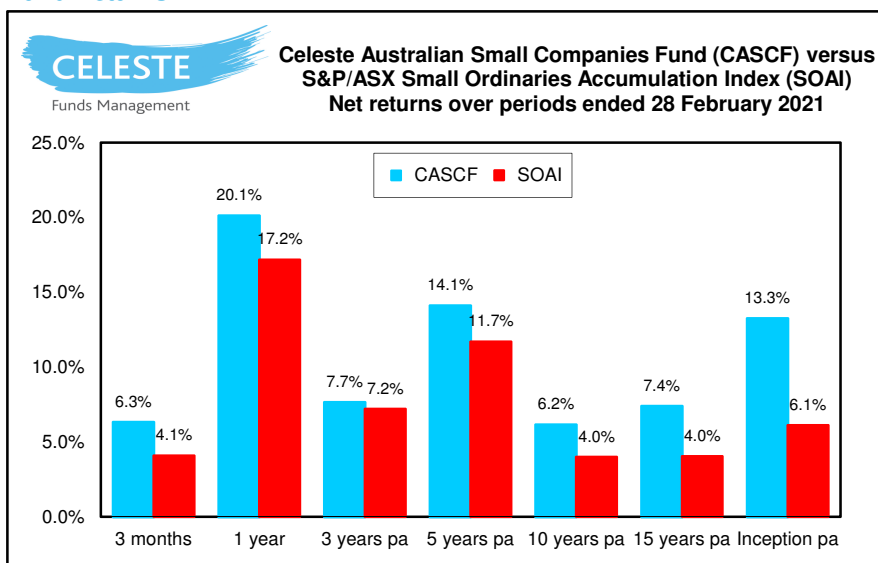
#### Fund Information

<b>Primary Investments</b>	Shares in listed Australian smaller companies
<b>Investment objective</b>	Exceed Small Ordinaries Accumulation Index over rolling 5 year periods
<b>Unit price (redemption) as at 28.02.2021</b>	\$4.2173
<b>Unit price (application) as at 28.02.2021</b>	\$4.2427
<b>Fund Size as at 28.02.2021</b>	\$79m
<b>Minimum investment</b>	\$25,000
<b>Minimum additional investment</b>	\$1,000
<b>Minimum balance</b>	\$15,000
<b>Redemption will generally be available in</b>	7 days
<b>Distributions</b>	30 June and 31 December
<b>Entry fee*</b>	0%
<b>Exit fee*</b>	0%
<b>Buy/Sell differential*</b>	0.30%
<b>Management fee*</b>	1.10% p.a
<b>Performance fee**</b>	20% of return above benchmark

\* These fees and charges apply for the duration of the Product Disclosure Statement (PDS) and are inclusive of the Goods and Services Tax.

\*\* A fee charged on performance of the investments of the Fund above the nominated benchmark performance. The benchmark is the S&P/ASX Small Ordinaries Accumulation Index.

#### Fund Returns



#### Distribution History

Total distribution year ended	Cents Per Unit	Annual Yield %**
June 11	11.89	4.6
June 12	4.07	1.4
June 13	15.81	5.5
June 14	14.56	5.4
June 15	12.67	4.5
June 16	9.95	4.0
June 17	6.87	2.6
June 18	7.01	2.2
June 19	10.46	2.9
June 20	9.51	2.8

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\*\* CPU / unit price at beginning of period

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